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higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

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JUNE EXAMINATION

NATIONAL CERTIFICATE

COST AND MANAGEMENT ACCOUNTING N5

(4010185)

4 June 2013 (X-Paper)
09:00–12:00

Non-programmable calculators may be used.

This question paper consists of 10 pages and a 12-page answer book.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
COST AND MANAGEMENT ACCOUNTING N5
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. Answer ALL the questions in both SECTION A and SECTION B in the ANSWER BOOK provided.
3. Read ALL the questions carefully.
4. Write your EXAMINATION NUMBER and CENTRE NUMBER in the spaces provided on the front page of the ANSWER BOOK.
5. Remove the ANSWER BOOK from the question paper before you hand it in.
6. Show ALL the calculations where applicable.
7. Write neatly and legibly.

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SECTION A

QUESTION 1

1.1 Various options are given as possible answers to the following questions. Choose the answer and make a cross (X) in the block (A–D) next to the question number (1.1.1–1.1.20) in the attached ANSWER BOOK. No marks will be awarded if more than ONE cross (X) appears next to any one question number.

1.1.1 Financial accounting is concerned with the provision of information to …

A people outside a business.
B people within a business.
C the managers of a business.
D the internal auditor of a business.

1.1.2 Conversion costs refer to the combination of …

A manufacturing overheads plus raw materials.
B direct labour plus raw materials.
C direct labour plus manufacturing overheads.
D direct labour, raw materials and overheads.

1.1.3 Fixed costs …

A remain constant irrespective of changes in the number of units produced.
B are costs that change in direct proportion to the changes in the number of units produced.
C are costs associated with a given accounting period rather than with a given product.
D varies in relation to the volume of production.

1.1.4 Management accounting is concerned with the provision of information to …

A people within the business.
B people outside the business.
C shareholders.
D the government.

1.1.5 ONE of the management functions that deals with development of objectives in an organisation and the preparation of various budgets to achieve these objectives is …

A organising.
B planning.
C leading.
D controlling.

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1.1.6 Direct material is the …

A material needed in the production process but it is not so easy to see in the finished product.
B material ready to be consumed by customers.
C basic material that is transformed to a more refined product by the production process.
D material that cannot be traced in the finished goods.

1.1.7 Production involves the …

A stock of material that has already been purchased but that is still in the process of delivery.
B conversion of direct material into finished goods.
C period between ordering the material and receiving it.
D stock level at which a new order must be placed.

1.1.8 One of the human factors that can influence labour productivity is …

A political unrest.
B weather conditions.
C bad working conditions.
D the worker not properly trained for a specific job.

1.1.9 A piece-work wage system means …

A the worker is remunerated according to the number of hours that he or she worked irrespective of production.
B the worker is remunerated according to the work that he/she has done and not according to the time it took to produce.
C the worker is ensured of a fixed wage rate per hour.
D it is suitable for non-standardised work.

1.1.10 The job card shows the …

A employment contract of the worker.
B remuneration of the worker.
C product that was produced during the labour hours.
D actual hours worked by the worker.

1.1.11 Idle time is the …

A time the employee has worked.
B overtime the worker has worked.
C normal time an employee has clocked in.
D time lost due to bottlenecks.

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1.1.12 ONE example of manufacturing overheads is the…

A rent for the factory building.
B salary paid to the internal auditor.
C rent received from a tenant.
D operating business expenses in a trading business.

1.1.13 A production cost statement shows the …

A net profit or loss for the year.
B total amount of all assets.
C total production costs.
D gross profit for the year.

1.1.14 The production control account will not be debited with …

A direct labour.
B indirect labour.
C manufacturing overheads.
D direct material.

1.1.15 The size of storing facilities is determined by calculating the …

A maximum stock.
B order point.
C economic order quantity.
D order size.

1.1.16 When a customer asks the designer to design a dress according to her specifications, it is known as … costing.

A job
B prime
C product
D process

1.1.17 Rates on the factory building paid to the city council is known as … cost.

A process
B period
C product
D prime

1.1.18 The decision to buy or rent premises is known as a … decision.

A short term
B operating
C time consuming
D long-term

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1.1.19 The variable cost per unit …

A changes according to the number of goods produced.
B changes in direct proportion to the changes in levels of production.
C stays the same at all levels of production.
D Both A and B.

1.1.20 All payments by cheque will be recorded in the …

A cash payments journal.
B cash receipts journal.
C petty cash payment journal.
D debtors journal.

(20 × 2) (40)

1.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

1.2.1 Organising means to co-ordinate the different resources of an enterprise in such a way that the business plans are effectively carried out.

1.2.2 An organisational chart shows the firm's remuneration structure, indicating each employee's salary notch and job level in the organisation.

1.2.3 Cost systems are the methods used by businesses to collect, process and evaluate all the information in connection with the cost of a product or service.

1.2.4 Examples of consumable stores are things such as cleaning materials, fuel and first-aid materials.

1.2.5 Relevant costs are costs created by a decision made in the past, which cannot be changed by a decision made in the future.

(5 × 2) (10)

1.3 Define the following concepts:

1.3.1 Unit cost

1.3.2 Underrecovered overheads

1.3.3 Manufacturing overheads

1.3.4 Opportunity cost

1.3.5 Payroll

(5 × 2) (10)
[60]

TOTAL SECTION A: 60

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SECTION B

QUESTION 2

The following information was obtained from the accounting records of Babalwa Producers:

Balances on 1 March 2013	R
Direct material	10 000
Work in process	12 000
Finished goods	6 000
Transactions for March 2013	
Direct material purchased from suppliers	18 600
Carriage paid for delivery of direct material	850
Direct material issued to the factory	18 200
Indirect material issued to the factory	?
Sales of finished goods	111 100
Payments by cheque	
Wages: Direct labour and benefits	21 000
Salary of the factory supervisor	8 000
Salaries (sales and administrative staff)	13 400
Insurance: Factory	13 800
Sales and administration	7 200
Indirect material	4 550
Rent expenses: Factory	12 000
Sales and administration	5 800
Advertising	9 300
Water and electricity (factory)	8 900
Sundry office expenses	7 600
Balances on 31 March 2013	
Material stock	9 200
Finished goods	22 400
Work in process	13 500

The predetermined rate to recover overheads is based on 250% of direct material cost.

Compile the following ledger accounts in an integrated accounting system:

2.1 Raw material control (7)

2.2 Production control (6)

2.3 Manufacturing overhead control (8)

2.4 Labour control (4)

2.5 Finished goods control (5)

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2.6 Cost of sales (4)

2.7 Trading account (4)

2.8 Profit and loss account (7)
[45]

QUESTION 3

3.1 Serati's Cream Shop, a manufacturer of facial cream, provides you with the following information for June 2013.

Total variable cost	R11 700,00
Total cost	R26 000,00
Number of posts of facial cream produced	650,00

3.1.1 Calculate the total fixed cost. (3)

3.1.2 Calculate the variable cost per unit. (3)

3.1.3 Calculate the fixed cost per unit. (3)

3.1.4 Calculate the total cost if 320 posts of cream are produced. (5)

3.2 The following information was taken from the records of Sasa Manufacturers for the month ended 30 June 2013.

Stock on hand	1 June 2013	30 June 2013
Material	R45 000,00	R28 000,00
Finished goods	R63 000,00	R72 000,00

No 'Stock in production' is kept by Sasa Manufacturers.

Transactions for June 2013

Sales	R850 000,00
Manufacturing overheads (actual and recovered)	R138 000,00
Material purchased from creditors	R135 000,00
Cost of production (actual)	R450 000,00
Wages: Factory workers	R160 000,00
Wages: Administration and sales	R55 000,00
Marketing costs	R22 000,00
General administration costs	R15 000,00

REQUIRED:

3.2.1 Prepare a production cost statement for Sasa Manufacturers for June 2013. (10)

3.2.2 Prepare an income statement for Sasa Manufacturers for June 2013. (13)
[37]

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QUESTION 4

Kabini Manufacturers concluded the following transactions in respect of Material KL036 for June 2013. They buy all their raw materials from Mkhonza Suppliers.

JUNE 2013	1	Stock on hand: 250 units @ R8,50 each.
	2	Bought 250 units @ R9,00 each.
	6	Issued 250 units to the factory.
	8	Bought 125 units @ R12,00 each.
	10	Issued 350 units to the factory.
	22	Bought 200 units @ R13,00 each.
	26	Bought 100 units @ R13,50 each.
	27	Issued 130 units to the factory.
	30	Returned 75 units to Mkhonza Suppliers. (The units returned were received on 22 June.)

REQUIRED:

4.1 Calculate the value of Material KL036 using the FIFO method. (Round off ALL amounts to the nearest TWO decimals.) (20)

4.2 Khosi Manufacturers plan to build their own store and move from the rented facilities. They ask you, as their cost accountant, to help them with the planning.

Usage per annum:		80 000 units
Usage per week (minimum):		2 300 units
Delivery time:	Maximum	3 weeks
	Minimum	1 week
The cost of placing an order:		
The cost of keeping one unit in stock per year:		R45,35
The factory is in operation for 50 weeks per year.		R0,50

REQUIRED:

Calculate the following:

4.2.1 Economic order quantity

4.2.2 Order point

4.2.3 Maximum stock

(3 × 4) (12)
[32]

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QUESTION 5

The following table is applicable to a weekly paid employee, Mr Tim Mojapelo and appears in the books of Maleka Producers.

Normal working hours	40 hours
Hours actually worked	48 hours
Units produced	200 units
Normal hourly wage	R285,50
Overtime	Time and quarter
Production bonus for every 20 units produced	R45,00

DEDUCTIONS AND BENEFITS

- PROVIDENT FUND
  Employee's contribution: 5% of normal remuneration
  Employer's contribution: 7,5% of normal remuneration

- MEDICAL AID
  Employee's contribution: 8,5% of normal remuneration
  Employer's contribution: R1,50 for R1,00 contributed by employees

- UIF
  They both contribute 1% of normal remuneration

- PAYE (Income tax): 25% of the taxable income

REQUIRED:

5.1	Calculate the normal wage for the week.	(2)
5.2	Calculate the overtime wage for the week.	(2)
5.3	Calculate the production bonus for the week.	(2)
5.4	Calculate the total gross wage for the week.	(2)
5.5	Calculate the employee's provident fund contribution.	(2)
5.6	Calculate the employee's PAYE deduction.	(2)
5.7	Calculate the employee's total net wage for the week.	(10)
5.8	Calculate the employer's contribution towards the provident fund.	(2)
5.9	Calculate the employer's contribution towards the medical aid.	(2)
		[26]

TOTAL SECTION B: 140
GRAND TOTAL: 200

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